

# TAIWAN TECHNOLOGY LITIGATION: USING THE RIGHT TOOLS

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## 1. INTRODUCTION

Taiwan's legal system offers several useful tools for taking action against infringers in technology cases that offer good value for rights holders willing to think flexibly. With the decriminalization of patent infringement over the past several years, purely civil patent claims can be effective but do not have the strength of a combined assault on the infringer using patent, copyright, attachment of assets, trade-secrets, fair-trade, contract and import/export laws. When possible, we recommend using these alternate legal mechanisms to get around all the issues raised in an infringement case and to get maximum results against defendants.

## 2. CRIMINAL AND CIVIL ACTION UNDER COPYRIGHT LAW

Taiwan's Copyright Law provides for criminal and civil action and can be a helpful way to spearhead technology cases where the infringer has not been particularly careful in their designs, websites, brochures, driver software, etc. Our experience has been that companies copying intellectual property quite often do not bother paying the costs to write fresh product literature or software, draw new schematic diagrams, or design new layouts or product shapes.

Upon its WTO accession in 2002, Taiwan granted WTO members copyright protection upon creation, retroactively, for 50 years. In preparing for potential action, it is often helpful and often very important for rights holders to register their copyright in a WTO-member jurisdiction that accepts such registrations, as Taiwan has not accepted applications for registration for some years now. We also recommend that rights holders then use one of the independent assessment institutions listed by the Taiwan's Judicial Yuan to make an infringement assessment report, as this is frequently key to the success of later legal criminal or civil filings and may be necessary to avoid fair-trade counterclaims by the defendant.

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Use of the Copyright Law's criminal provisions to take action against infringers is common enough in Taiwan as to be considered a standard operating procedure. The criminal provisions open the door to police seizure of evidence and/or goods, which may be enough to effectively disrupt the infringing company's operations while allowing the rights holder to secure business records that help to establish later civil damages claims. With civil discovery mechanisms in Taiwan still somewhat lacking, these business records can be very important. Arranging for police seizure of the goods from downstream sellers can make for a substantial chilling of the market for such items, but sending warning letters may achieve the same result.

Civil claims under the Copyright Law can also be brought, most usefully as supplementary civil actions (i.e., civil actions that are filed as a supplement to an existing criminal action). Filing of a supplementary civil action allows certain advantages, including: a) full access at an early stage in the criminal case to the police and court files; b) a greater degree of participation in the criminal phase, which helps support the judge and prosecution reach a favorable result; and c) avoidance of some civil court fees. Normally, a supplementary civil action will be heard within a couple of months after the conclusion of a criminal action, and the hearings generally focus on establishing the amount of damages involved.

### **3. ATTACHMENT OF ASSETS**

One way to increase the pressure on infringers is to arrange for a provisional attachment of assets. We often recommend running asset checks on the infringing companies and their registered responsible person to see what turns up. It is generally necessary for the rights holder to lodge a bond in the amount of one-third to one-half the value of the property attached. If a defendant company has liquidity problems, the pressure added can be significant.

### **4. OPTIONS UNDER THE TRADE SECRET ACT**

If there is a reason to believe an infringer has had access to a rights holder's internal information, we recommend checking into options under Taiwan's Trade Secrets Act. In Taiwan, civil liability is triggered by obtaining a trade secret "by unjustified means" (e.g. enticement of others to violate confidentiality obligations, unauthorized duplication, bribery, coercion, etc.) or by obtaining a trade secret knowing that it had been

obtained by unjustified means. Intentional misappropriation of trade secrets opens up the possibility of up-to treble damages, and rights holders can also seek “elimination of infringement” (i.e., injunctive-style relief), such as a court order for the defendant to cease use of the trade secret.

Getting some evidence is important to being able to take later action. If the infringer has hired the rights holder’s former employees that have had access to sensitive information, it may be the best way to see if there are clear lines of existing confidentiality obligations (or, as discussed below, non-compete provisions) that may come into play. A police raid action under the Copyright Law may turn up useful documents, but if this is not available under the case situation, the rights holder can often make an ex-parte civil filing for “preservation of evidence”, aiming to have a judge and bailiffs go to the infringer’s location to copy or take away documents that might otherwise be destroyed. The use of private investigators may also be helpful, although rights holders must be careful to ensure information is screened such that they do not open themselves up to trade-secrets or fair-trade based counterclaims in their zeal. However, it is definitely worth noting again in this context that civil discovery mechanisms are quite lacking and so rights holders must prepare to be proactive in securing supporting evidence. If there is a nexus to the activity that may give rise to criminal liability elsewhere, rights holders should also consider combining civil claims in Taiwan with criminal claims elsewhere. For example, the U.S. Economic Espionage Act has been regularly used to investigate and prosecute Taiwan companies tied to misappropriation activities.

## **5. NON-COMPETITION AGREEMENTS**

Where evidence indicates that former employees covered by non-competition agreements may be involved in trade-secrets or other infringements, there may be civil options under Taiwan’s contract-law provisions. Keeping in mind that non-competition agreements must be reasonable in geographic scope and duration in complying with the guidelines issued by the Council of Labor Affairs, it is possible to use this to get additional leverage in situations where a potential counterparty’s higher management or legal staff may not be aware of the activities of wayward employees. While smaller counterparties may not worry too much, larger and more-internationalized companies have their own non-competition agreements to enforce.

## **6. FAIR TRADE LAW: A CATCHBASIN**

Action under Taiwan's Fair Trade Law (FTL), may be helpful for any unfair activity that goes beyond the scope contemplated by the other laws. Under Article 21, companies are prohibited from making, selling, exporting or importing goods bearing false or misleading representations with regards to goods or services. False statements that damage the business reputation of a competitor are covered under Article 22. Although Article 19 provides for claims against companies that have misappropriated trade secrets and Article 20 provides for claims for trademark-type infringements, claims brought under either the Trade Secrets Act or the Trademark Law would preempt FTL claims. Article 24 serves as the general catchbasin provision for claims that are not addressed under other laws, prohibiting companies from conducting "any deceptive or obviously unfair conduct that is able to affect trading order."

## **7. THE FOREIGN TRADE ACT**

Companies infringing IP rights should keep in mind that they run risks of losing import and export privileges. Article 17 provides broadly that importers and exporters shall not infringe "any intellectual property rights protected by laws of this country or other countries." Although the fines provided for in the law are not particularly high, Article 30 allows for a temporary suspension of up to a year where concrete supporting evidence has been provided that a company has exported or imported infringing goods; however such suspension would cease "as soon as the cause is extinguished." Article 28 also allows for revocation of the exporter/importer registration by the Board of Foreign Trade for violations of Article 17, although as a practical matter rights holders will likely need a court decision first.

## **8. ATTACKS IN OTHER JURISDICTIONS**

Coordinating action across several jurisdictions can help maximize the pressure brought against a Taiwan-based infringer, seeking seizures via customs authorities in Hong Kong, the EU, the United States, and other jurisdictions. Good options also exist in many jurisdictions for getting provisional attachment orders for infringing goods at IT and other technology exhibitions. If the commencement of an overseas lawsuit is done with sufficient coordination on service-of-process and other issues, a subsequent judgment for damages can

often be enforceable into Taiwan.

## **9. ADDITIONAL SOURCES OF PRESSURE**

Notification of the major industry groups and relevant trade offices can be effective in Taiwan. Perhaps because of Taiwan's decades of diplomatic isolation in the period leading up to its WTO accession in early 2002, Taiwan tends to pay close attention to how its intellectual-property policies affect its key relationships. Many individual countries operate de-facto embassy and consular facilities in Taiwan, and the European Commission added a representative office in 2003. Both the European Chamber of Commerce in Taipei (ECCT) and the American Chamber of Commerce (AmCham) have intellectual-property committees that regularly interact with the European, U.S. and Taiwan governments' main bodies dealing with enforcement issues and draft annual position papers read avidly in Brussels, Washington and Taipei.

## **10. CONCLUSION**

Provided that a rights holder is willing to be flexible in responding to technology infringement situations, there are several options for improving one's ability to put heavy pressure on the infringers and to collect evidence substantiating the facts of the infringement and establishing the scope of civil damages. By forcing infringers to face potential cash-flow, customer, import/export, civil, criminal, fair-trade and tax trouble all at once, a rights holder puts them clearly on the defensive.

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